

**Wisconsin Department of Public Instruction**

**Local Educational Agency**

**2017-2022 Indirect Cost Plan**

**Summary**

**P.O. Box 7841, Madison, Wisconsin 53707**

## 2017-22 Indirect Cost Plan Summary

Office of Management and Budget (OMB) published Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (referred to as the Uniform Grants Guidance). It provides that federal programs have the responsibility to bear their fair share of indirect costs. Local educational agencies (LEAs) are required to have an approved indirect cost rate in effect in order to recover any indirect costs related to federal grants and contracts. If a LEA does not wish to recover any indirect costs for federal grants and contracts, an indirect cost allocation plan is not necessary.

The indirect cost rate is a device for determining, in a reasonable manner, the proportion of indirect cost each program should bear. It is the ratio of the total indirect costs to a direct cost base, such as salaries and wages. Wisconsin LEAs use the fixed with carry-forward rate for indirect costs.

Indirect costs are those costs that are not readily identified with the activities funded by the federal grant or contract but are nevertheless incurred for the joint benefit of those activities and other activities and programs of the organization. Examples of such costs are accounting, auditing, payroll, personnel, budgeting, purchasing and maintenance and operation of plant.

Direct costs are costs that can be identified with a particular cost objective. Expenditures for fiscal year 2015-16 are used to compute the indirect rate of fiscal year 2017-18. Some expenditures are excluded from the indirect cost computation, such as those that are one-time in nature or tend to distort normal annual operating expenditures. Also, some expenditures are unallowable because they are unacceptable as applied to federal grants and contracts. Examples include bad debts, donations, entertainment, fines and interest.

Two indirect cost rates are generated: **Restricted and unrestricted.** The restricted indirect cost rate is a special rate developed for federal programs that allow supplementing, but not supplanting, of state and local funds. This means that only selective administrative costs, not maintenance and operation of plant costs, are eligible to be included as indirect costs.

The unrestricted indirect cost rate allows full recovery of indirect cost. The rate includes selective administration and maintenance and operation of plant expenditures. Since federal programs administered by DPI do not permit supplanting of nonfederal funds, LEAs must use the restricted indirect cost rate.

Adjustments may be made from areas of direct cost to indirect cost and are reported on form PI-1161. After receipt of this form by DPI, LEAs will receive an indirect cost rate approval letter from DPI which will establish appropriate rates for the current fiscal year.

The approved rate should be multiplied by the amount of direct cost expense. The resulting indirect cost should be applied to the final claim for each federal program.

If you have questions concerning indirect cost, please call the auditing team at (608) 267-7882.